

MANAGERIAL METHODOLOGY IN BANKING INSTITUTIONS

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Abstract. *The managerial methodology represents a domain of great interest for the efficiency of Romanian banks. It regards the promoting and the using of modern management systems, methods and techniques that represent a condition for their managerial, economic and commercial success. The efficiency and the effectiveness, the performances obtained in the managed domain are the natural consequences of a performant management and, firstly, of managerial methodology, that gives order, disciplines and accuracy to managers and employees'. It is considered that there cannot be obtained pluses in efficiency and effectiveness in the absence of a management that can ensure performance. It is well-known that as far as the banking system is concerned, this type of management refers, almost exclusively, to the financial and economic results achieved not to the general or specific performances in management. It is not possible to speak about profit, efficient placements and other efficiency indicators if the performance in the field of management, decision-making, information and organization have not reached a certain standard.*

Key words: managerial methodology, reengineering, profit centers, managerial performances, economic performances.

1. Bank reengineering and its management

Considered by the majority of the specialists to be the most complex modality of managerial change, reengineering means fundamentally rethinking and radically redesigning business processes in order to achieve a spectacular improvement of the indicators considered today as critical in assessing performances, such as the cost, the quality, the service and the speed. Reengineering implies approaching, process by process its organization and its management, taking into account the fact that, within it there are included two categories of working processes – that of management and of execution (Nicolescu, 2000).

Even if in Romania there operate traditional bank as well as other banking institutions founded after 1990, reengineering is equally necessary to the banks facing economic difficulty, to those which function well, but for which the management anticipates future problems, and for those which are successful and expected to be successful also in the future, but which have an ambitious and aggressive management that aspires towards supremacy in the detriment of their competitors.

Reengineering in organization and management are practically recommended to any type of banking institution (state or private) and irrespective of its economic condition.

- Priorities are to be given to the banks undergoing a process of privatization, to those with a precarious economic situation, generated mainly by inner

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causes, managerial in nature, and to those with good and very good economic situation in the present, but under strong contextual pressure (a certain moral obsolescence of the work processes and of the banking products, in comparison with the competitors who are in full swing).

Also, attention should be given to banks with a less efficient management as a result of:

- the lack of realistic policies and strategies;
- a passive attitude or, rarely, reactive towards the challenges of the national and international environment;
- the presence of „the stupidity factor”, namely a general or partial moral obsolescence of the organization in point of stages and structure, caused by lack of correlation between stage components and the objectives assumed, the coexistence of parallelisms in exercising certain tasks and responsibilities, the lack of certain positions and divisions indispensable for certain work processes, the incompatibility between certain positions and the people holding them, disregarding professional and managerial competence in promoting managers etc.

Other factors that may contribute to a poor management in the banking sector are:

- insufficient transparency in decision-making, at the top of the bank management;
- deficiency in communication between the managers and their subordinates generated by the prevailing authoritative managerial styles, that are to be found at all levels;
- deficiency in the organizational culture, mainly in what is called „behaviour”;
- culture deficiency in the field of management, economy and information in the case of most of the managers and subordinated;
- insufficient correlation between material compensation and individual and group performances, inspite of the high salaries paid in the banking system in comparison with other economic sectors;
- reduced management participation, namely modest implication of the employees in establishing and achieving the objectives, and reduced participation in training sessions, especially in the case of the department managers, a sector where „the real economic substance” is elaborated.

As far as external factors are concerned, we may notice that the work environment is not always motivating, very often it is stress causing, the time-limit of a normal work day being often exceeded (both in the retail zone and in the corporate one). Also, „the distance” is still big between the „centre” and the branches, with

negative impact upon the quality of the banking services (it takes a long time for the decisions to get to all the branches, sometimes they are not clear, they are not accompanied by appropriate methodological instructions). The speed of work procedure changes is sometimes exaggerated, exceeding the subordinates' possibility to understand and even the logistic equipment of the branches/agencies.

The consideration of these aspects calls for a rethinking of the work processes (of management and of carrying into effect) from the perspective of making efficient the relationships between objectives - process components - structural components – people. If this quadri – lateral is closed there are real chances of achieving managerial and economic performances.

2. Promoting and using management based on profit centres

It is unquestionable that including this sophisticated and complex management system in the managerial practice of a bank is meant to facilitate achieving economic and managerial performances (Verboncu and Zalman, 2005). The management based on profit centres must be a constant, permanent presence in the bank management.

Promoting and using the management based on profit centres is recommended when the bank management desires to impose order, discipline and strictness in the managed department, as the premise of its efficiency and effectiveness, and also when the objective is exercising a really previsional, anticipative management assisted by the elaboration of objectives for all organization levels (up to the position level). The same recommendation applies when the bank management has initiated complex actions of managerial redesigning, modernizing and improving managerial instruments as being the first stage in the redesigning of the management system – in this case, promoting management based on profit centres representing the best solution. Other cases when the management based on profit centers would be the first choice include:

- managerial and economic decentralization within the bank is a necessity for its economic success. Correlating objective management and budget management is a condition in this case;
- the aim is to increase the responsibility of the managers of the administration centres and of their components; administration centres have a high level of autonomy in making decisions and operating and success depends on the competence of their own managers;
- qualified management is to be achieved at all levels;
- there is a search for „the right” place to exercise management processes and the specific functions of each of them from prevision to control and assessment. Practically, both the components and the methodology to render operational the management based on profit centres call into action the managerial functions, offer them new dimensions and a special importance in the economy of the management processes.

Also, the same rule applies when there is an interest in amplifying the motivation dimension of the management; awarding material and moral rewards/penalties is conditioned, in the context of the management based on profit centres, by the degree of fulfilling individual objectives, the objectives of the administration centres and of the banks, as well as by the level of involvement in reaching them.

3. Project management

Another management instrument, very „fashionable” all over the world, is project management. In a contextual environment which is less and less stable, complex and agitated, the institutions that survive are those that innovate more-the clients' tastes change quite often, the products become obsolete and they react positively towards innovations, innovate faster - they must be the first on the market with high-quality products/services, innovate better-the clients expect products that suit perfectly their needs, and, finally, innovate with lower costs – what implies a permanent improvement of the economic and managerial instruments.

The banking institution can face these four major challenges by promoting highly-efficient management, assisted by project management. Such a managerial instrument leads to a new form of organization, much more flexible, more dynamic and efficient.

Project management is a system of management with a limited usage duration, that enables the solving of complex problems, innovative in nature, by people specialized in various domains, forming a temporary organization network that functions in parallel with the formal organization structure.

Such complex problems with a high level of innovation can be represented by: the assimilation of banking products, the achievement of important investment objectives, managerial redesigning, and bank privatization.

Irrespective of the organization variant (with facilitation or mixt), project management must always be present when the bank changes its form of property or important investments (in equipment, buildings, software) are made, or important changes occur in the structure of the banking products (the assimilation and the launching of new products on the market, the development on certain markets of products that already exist, etc.). Also, project management is necessary when the bank is obliged to make economic and managerial changes, with a great impact upon the present but mostly upon its future, or mergers, associations, major transformations in the proceeding configuration and the structure of the bank take place.

4. Management by exceptions

Management by exceptions is a simplified system of management, based on the upward conveying of the information that represent deviations from the pre-established limits of tolerance, in order to simplify management processes and to render the resources more profitable.

This can be approached both as a modality to rationalize the information system and as an important way to assist managers to use their time efficiently.

The management by exceptions is recommended in two distinct situations:

- when work processes are repetitive and their results can be noticed effectively;
- when the banking institution is characterized by „a large production series”- if we compare it with a manufacturing company - in the case of some banking products (card issuing, routine banking operations etc.).

The condition for success in the case of this type of management is the perfect functioning of the information component of the management that should accurately inform about objectives, standards, norms, regulations, etc. All these are essential information when the results obtained in one domain or another are analyzed.

5. The board chart

The managers have less and less time to solve complex problems of tactics and strategy, with great impact upon the functioning of the bank and its efficiency, that is why they make use on the board chart (Verboncu, 2005).

The board chart is a set of relevant information regarding the results obtained in the managed domain, synthetized, pre-established and sent effectively to beneficiaries.

This type of management is practically recommended in all managerial situations in which the managers adopt a decision-making attitude and expect the feedback of their decisions or of the consequences resulting from the influence exercised by the factors (variables) of the contextual environment.

The board chart is used in the following situations:

- when the aim is a gradual observation of the extent to which the objectives have been followed to ensure an improvement of the decision-making process;
- when one of the domains or the whole bank undergo a control process or it is monitored by superior management because unsatisfactory results obtained during a long period of time;
- when the information system does not work properly, namely there are several cases of modified messages (filtering, distorsion), parallelisms in sending and getting information (redundancy) or over-sized volume of information that cannot get an appropriate answer as the result of relevant decisions and actions. This situation generates consequences affecting both the quality of the adopted decisions (inappropriate substantiation) and the actions initiated for the implementation of the decisions.

Also, it is used when the time budget of the managers, especially of those who work at the top level of the company, is limited because of information „bombardment” – many of them being irrelevant for a person holding such a position.

This can only have negative consequences for the quality of the adopted decisions and for the quality of the results obtained regarding the established objectives. Managers can experience lack of physical comfort as the result of stress, tiredness and irritability that can affect negatively the subordinates.

6. Delegation

One of the methods frequently used by the managers of the Romanian banks is the delegation procedure. This consists in attributing the subordinate a temporary task accompanied by the competence and the responsibility required.

This practice can apply in several situations. Firstly when the time budget of the manager is limited the only solution to efficiently and effectively use it, is to delegate someone to replace him. Secondly, it is applied having in mind the training of the future managers. It is well-known the fact that during the period of his/her delegation, the person has all the responsibility. Consequently he must possess good knowledge in the field, managerial qualities and abilities to handle the problems skillfully. Thirdly, we should not minimize the favourable impact this can have at the organization level.

7. Regulations of operating and functioning

This is the most important and complex document of formal organization management, a valuable 'course in management' that points out, in detail, the characteristic elements of an organization regarding its functioning and management.

It is necessary to abandon the 'organization document' and to change it into a management instrument meant to facilitate exercising the management processes and their functions.

In the present there are more variants of the regulations of operating and functioning, in all of them the emphasis being on the activities and responsibilities rather than on the information. The presentation of the responsibilities of the management participative bodies are highlighted (the managing board etc.); so are the operating and functioning compartments of the organization; simultaneously there are mentioned the relationships between each compartment and the others called the „relationship diagram”.

In order to act as a managerial instrument it is necessary to totally change its contents, so as to include, at the bank level and at the level of its components, information related to work, decision-making processes, structure and organization as reflected in the characteristics of prevision, organization, coordination, training, control and assessment activities.

Accuracy in speaking, avoidance of ambiguity in defining tasks, competences and responsibilities, building up a strict hierarchy and compartmentation etc. are

aspects that impose order, discipline and strictness to managers and to the other performers, irrespective of their position in the institution.

8. Position and job descriptions

Job and position descriptions refer to two of the most important structure components of the company; they are indispensable for a company.

According to the manner in which they are conceived, elaborated, up-dated, position descriptions but mostly job descriptions have an important role in the management of the organization.

Filling them in is not what really matters (any serious bank should possess such documents); their up-dating is much more important.

Therefore, it is important to point out when it is necessary to update the position and job descriptions.

Firstly when there are structure changes in the management of the organization. These are the consequence either of a total redesigning of the managerial system or of a change occurred in the organization zone.

Secondly, even if there are no major changes in the organization, it is well-known that the dynamism of the organization and of its environment, national and international, leads to changes in strategies and tactics, sometimes very important, at short periods of time. All these are to be found in new objectives or modified objectives, at the level of the organization and its components.

The changing of at least one major objective or the appearance of a new one generates changes in the other types of objectives-derived, specific and individual. It is necessary for reaching new modified individual objectives to have new tasks or to regroup the already existing ones; therefore the job as a whole is modified. In this situation there must be used techniques of improving and enlarging the job content and this makes more flexible the organization structure within the bank.

That is why updating position descriptions but mainly job descriptions must be done monthly, especially in the banks that use the management based on profit centres, with launched, executed budgets that are analyzed every month, on the whole and at each branch.

9. Benchmarking

As a method used in management, benchmarking enables the comparison of a company with other competitors in its field of reference or comparing different structure and process components of the organization according to their performances (Nicolescu, Verboncu, 2007). The aim of benchmarking is to use the experience and the practices of the most powerful competitors, considered the best in a field of activity and render them profitable in order to get economic and managerial performances and thereby excellency in management and business. Benchmarking is

used when it is required a minute comparison of the structure components of a bank, mainly between the branches, to identify the best „practices” used by some of them, to be later introduced to the other branches with similar characteristics. The use the management based on profit centres is a good opportunity to use benchmarking as the branches of a bank are nothing else but administration centres and the experience of the most profitable one or ones must be shared for the advantage of the whole bank. This is in fact the essence of the internal benchmarking.

Benchmarking can also be applied when there is a certain interest in taking over the best practices from other banks, Romanian or foreign, to improve the performances of your own bank. Using the information provided by the National Institute of Statistics and mainly by the National Bank of Romania, taking part in national and international scientific sessions, using the internet, workshops are ways of coming to know the operating mechanisms of a successful bank and of taking advantage of the opportunities offered by them regarding the „methods of achieving objectives”. This is the aim of the external benchmarking and taking full advantage of it is not an easy task.

Conclusions

The complexity of the banking system can be structured very well from the process point of view. Thus, it is of interest to study the way of improving the managerial performance starting from the basic methodologies and the very essence of managerial thinking.

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